

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE INVESTIGATION</b>	)	
<b>OF INTER-JURISDICTIONAL ISSUES</b>	)	<b>CASE NO. PAC-E-02-3</b>
<b>AFFECTING PACIFICORP DBA UTAH</b>	)	
<b>POWER &amp; LIGHT COMPANY</b>	)	<b>NOTICE OF STIPULATION AND</b>
	)	<b>AGREEMENT</b>
	)	
	)	<b>NOTICE OF JOINT MOTION</b>
	)	<b>FOR ACCEPTANCE OF</b>
	)	<b>SETTLEMENT</b>
	)	
	)	<b>NOTICE OF MODIFIED</b>
	)	<b>PROCEDURE</b>
	)	
	)	<b>NOTICE OF COMMENT/</b>
	)	<b>PROTEST DEADLINE</b>

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**BACKGROUND**

On March 5, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) petitioned the Idaho Public Utilities Commission (Commission) to initiate an investigation of inter-jurisdictional issues affecting the Company as a consequence of its status as a multi-jurisdictional utility subject to the jurisdiction of six state regulatory Commissions. By Order No. 28978 in Case No. PAC-E-02-3, the Commission established a docket for investigation, established an intervention deadline and approved a joint Multi-State Process (MSP) for analyzing PacifiCorp inter-jurisdictional issues (*Idaho Code* § 61-505) and established initial MSP scheduling (*Idaho Code* § 61-501).

On September 30, 2003, PacifiCorp filed a Motion, direct testimony and exhibits in Case No. PAC-E-02-3 seeking Commission ratification of an Inter-jurisdictional Cost Allocation Protocol (Protocol).

On July 14, 2004, PacifiCorp filed a Revised Protocol and Supplemental Testimony in Case No. PAC-E-02-3. The Revised Protocol is the culmination of an extended series of joint multi-state process (MSP) meetings, technical workshops and telephone conferences for analyzing PacifiCorp's inter-jurisdictional cost allocation issues. MSP meetings were attended

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by representatives of some 18 entities from the states of Utah, Oregon, Wyoming, Washington and Idaho. Participants included representatives of state commission policy staffs, advocacy staffs, individual customers and consumer groups. The Company's filing in Idaho is identical to contemporaneous filings made with the regulatory commissions in Utah, Oregon and Wyoming. In Washington, PacifiCorp filed the Revised Protocol as part of the Company's rate case in that state.

The Revised Protocol filed by PacifiCorp is the Company's "MSP solution." The Revised Protocol describes how PacifiCorp's generation, transmission and distribution costs will be allocated or assigned to PacifiCorp's six retail jurisdictions. The Revised Protocol also describes mechanisms for ensuring continued dialogue among interested parties regarding PacifiCorp inter-jurisdictional cost allocation issues and procedures, and for resolving concerns and inconsistent policies that may arise among the Company's state jurisdictions in the future.

PacifiCorp anticipates that ratification of the Revised Protocol will resolve current differences among PacifiCorp's retail jurisdictions concerning needed new resources and cost allocation methods. PacifiCorp contends that ratification will provide the Company assurance that it will have a reasonable opportunity to recover prudent investments in new generation and transmission facilities and required improvements to existing facilities. This, in turn, it states, will ensure that the Company's customers continue to receive safe and reliable electricity service at reasonable prices.

Key elements of the Revised Protocol are: a hydro endowment reflecting the cost difference of hydro-electric resources and certain contracts attributed to the former Pacific Power and Light states; an assignment recognizing the cost difference of state-specific qualifying facilities; and an allocation for seasonally specific resources. All other resources will continue to be allocated based on the peak and energy requirements of each state on the integrated system.

In addition, the Revised Protocol addresses treatment of a number of items and potential situations including: (i) refunctionalization and allocation of transmission costs and revenues, (ii) treatment of the costs of special contracts, (iii) means of accounting for and accommodating state specific policies, such as direct access, and (iv) the process and

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infrastructure for resolving issues in order to further secure the sustainability of the allocation methodology in the future.

YOU ARE HEREBY NOTIFIED that on November 4, 2004, PacifiCorp and Commission Staff filed a Joint Motion in Case No. PAC-E-02-3 requesting acceptance and Commission approval of a Stipulation and Agreement (Stipulation) negotiated by PacifiCorp, Staff, Monsanto Company, and AARP as full settlement of the inter-jurisdictional cost allocation issues affecting PacifiCorp as a consequence of its status as a multi-jurisdictional utility subject to the jurisdiction of six state regulatory Commissions. The stipulating parties request Commission approval of the inter-jurisdictional cost allocation methods embodied in the Revised Protocol filed with the Commission on July 14, 2004, as a means of achieving consistent allocation methods in the jurisdictional states served by PacifiCorp.

Public workshops for PacifiCorp customers in eastern Idaho were held in Preston on October 4, 2004 and in Rexburg on October 5, 2004. At the workshops, Commission Staff presented a summary of the Company's Petition, MSP, Revised Protocol and discussed its participation in settlement negotiations.

Included in the Stipulation are rate mitigation measures intended to apply to calculations of the Company's Idaho revenue requirement for any PacifiCorp rate filing made through March 31, 2009. In the near term through 2008, the Revised Protocol methodology results in a 2% higher revenue requirement to Idaho than under Rolled-In, an alternate allocation methodology that Idaho Staff would favor in the absence of agreement to the Revised Protocol. The results to Idaho beyond 2008 are more favorable because future hydro relicensing costs will be assigned directly to the Pacific Power & Light states, primarily Washington and Oregon. In addition, Idaho customers will continue to benefit from the efficiencies of PacifiCorp's integrated six state system while PacifiCorp will be provided greater certainty for a recovery of its prudently incurred costs.

The stipulating parties agree that the Stipulation and rate mitigation mechanism is in the public interest and that all of the terms of the Stipulation are fair, just and reasonable. The parties recommend that the Commission approve use in Idaho by PacifiCorp of the Revised Protocol methodology and rate mitigation mechanism for purposes of inter-jurisdictional

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allocation of the Company's costs and Idaho results of operations in future regulatory proceedings.

YOU ARE FURTHER NOTIFIED that the Commission has preliminarily found that the public interest in this matter may not require a hearing to consider the issues presented and that the issues raised in the submitted Stipulation and Agreement and Joint Motion for Acceptance of Settlement and related Revised Protocol may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the **deadline for stipulating parties and parties of record**, including PacifiCorp, to file comments with respect to the Revised Protocol, Stipulation and Agreement and Joint Motion for Acceptance of Settlement is **Tuesday, November 23, 2004**.

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests by the public** with respect to the Revised Protocol, Stipulation and Agreement and Joint Motion for Acceptance of Settlement and is **Monday, December 6, 2004**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the established deadlines, the Commission may consider the matter on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the established deadlines, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. PAC-E-02-3 should be mailed to the Commission and the Company at the addresses reflected below:

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Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
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All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.state.id.us](http://www.puc.state.id.us). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document.

YOU ARE FURTHER NOTIFIED that the Company's Application in Case No. PAC-E-02-3 may be viewed at the Commission's website, [www.puc.state.id.us](http://www.puc.state.id.us) by clicking on "File Room" and "Electric Cases" or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 West Washington Street, Boise, Idaho and at the Idaho offices of PacifiCorp in Rexburg, Preston, Shelley and Montpelier, Idaho.

DATED at Boise, Idaho this

9th day of November 2004.



Barbara Barrows  
Assistant Commission Secretary

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